




Inter-Departmental Communication

DATE: May 13, 1998

TO: Councilmember Evert Asjes III

FROM: Mark Funkhouser, City Auditor 

SUBJECT: Liberty Memorial Rehabilitation Proposal

On April 15th you asked us to review the Parks and Recreation Department's proposal to rehabilitate the Liberty Memorial. Your specific questions are attached.

CONCLUSION

Our review raised a number of concerns. We believe there is a risk that expenditures will exceed revenues and the shortfall could be substantial. The projected annual expenditures on repairs and maintenance appear low compared with national standards for property maintenance. Attendance projections appear optimistic, and admission fee revenues may be overestimated.

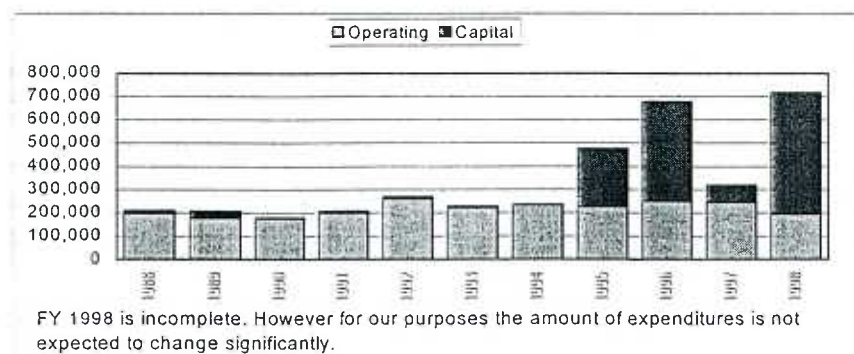
WORK PERFORMED

We reviewed documents provided by the Parks and Recreation Department; interviewed city staff from the Parks and Recreation, Public Works and Codes Administration departments, a professor at UMKC who is knowledgeable about fundraising, and personnel at the Truman Library and Museum; and analyzed the effect of changing various assumptions in the projections of revenue and expenses for Liberty Memorial. We did not attempt to independently identify potential funding sources.

BACKGROUND

Section 2-467 of the City Code establishes that it is the city's responsibility to maintain the Liberty Memorial. The Memorial, which was dedicated in 1926, was closed in November 1994 due to structural problems. Exhibit 1 shows expenditures for the Liberty Memorial since fiscal year 1988. The budget for Liberty Memorial in fiscal year 1999 is \$265,013.

Exhibit 1. Liberty Memorial Expenditures



Source: Finance Department records.

ANALYSIS

We reviewed *An Economic Feasibility Analysis of the Liberty Memorial and Museum*, Draft Final Report prepared by the Midwest Research Institute (MRI). The analysis appears to underestimate repair and maintenance costs and may overestimate attendance and revenue.

Projected maintenance costs are too low. According to the Building Owners and Managers Association (BOMA) and American Public Works Association (APWA) standards, annual expenditures on property maintenance should be 2 to 4 percent of the value of the facility. The feasibility study projected repair and maintenance expenditures of \$160,000 in the first year, with expenses increasing at an annual rate of 3 percent. This level of expenditure is appropriate for a facility worth about \$4 to \$8 million. Assuming that the restored Liberty Memorial and expanded museum will be worth at least \$60 million, the appropriate level of annual maintenance would be at least \$1.2 million.

Attendance projections appear optimistic. The study projects 400,000 visitors per year as an optimistic scenario and 240,000 visitors per year as a most-likely scenario. The 240,000 estimate is based on an average of 140,000 annual visitors to the Memorial between 1990 and 1994 and an assumed 10 percent capture rate of Science City visitors. However, based on museum fee revenues collected, attendance at the Memorial Museum was far lower. The average number of fee-paying visitors per year was 9,676 in fiscal years 1992 through 1994, when the fee was collected for the full year. In fiscal year 1990, before the admission fee was imposed, Parks and Recreation reported there were about 54,000 visitors to the museum.

The study lists the 1996 attendance at five area attractions to describe the market for similar local historical and cultural attractions. Only the Nelson-Atkins Museum of Art had more visitors than are considered likely for the restored and expanded Liberty Memorial and Museum. (See Exhibit 2.)

Exhibit 2. Attendance at Area Attractions -- 1996

Area Attraction	Attendance
Kansas City Museum	55,747
Harry S. Truman Library and Museum	132,402
Nelson-Atkins Museum of Art	303,884
Hallmark Visitors Center	136,328
Fort Leavenworth Frontier-Army Museum	150,000
Liberty Memorial Museum (estimated annual)	240,000

Source: *An Economic Feasibility Analysis of the Liberty Memorial and Museum*, p. 1-6; 3-1.

Admission fee revenues may be overestimated. The study assumed higher admission fees than are currently allowed. The study assumed that fees would be \$6.00 for adults, \$2.50 for children, \$1.00 for school children in groups, and \$3.00 for senior citizens. In 1990 the voters approved a fee for admission to pay for the upkeep and security of the memorial. The ballot language stated that the fee was not to exceed \$5.00, and would be assessed for adults age twelve and over.

The fee structure assumed is higher than those charged by the five attractions listed in Exhibit 2. There are no admission charges for the Hallmark Visitors Center and the Fort Leavenworth Frontier-Army Museum. Admission to the Nelson-Atkins Museum of Art is free on Saturdays. (See Exhibit 3.) According to the study, the suggested fees are lower than the proposed Science City fees. However, a phone survey conducted as part of the feasibility analysis shows little support for fees over \$5.00. Of the respondents who said they would visit the Liberty Memorial Museum if it were renovated and expanded,

only 12 percent said they would be willing to pay more than \$5.00 for adult admission. Only 31 percent of the respondents said they would be willing to pay more than \$2.00 for a child's admission.¹

Exhibit 3. Comparison of Fees at Area Attractions

Facility	Adult	Child	School Groups	Senior Citizen
Kansas City Museum	\$2.50	\$2.00	None ²	\$2.00
Harry S. Truman Library and Museum	\$5.00	\$3.00 ³	None	\$4.50
Nelson-Atkins Museum of Art	\$5.00 ⁴	\$1.00 ⁵	None ⁶	\$5.00
Hallmark Visitors Center	None	None	None	None
Fort Leavenworth Frontier-Army Museum	None	None	None	None
Liberty Memorial Museum (proposed)	\$6.00	\$2.50	\$1.00	\$3.00

Sources: *An Economic Feasibility Analysis of the Liberty Memorial and Museum*, p. 3-3; information provided by attractions.

The study also assumed that both revenues and expenditures would increase 3 percent each year due to inflation. The city does not typically raise admission fees annually to adjust for inflation.

Assumptions about the composition of visitors might also overestimate admission revenues. The study assumed that 8 percent of the total visitors would be children in school groups. They make up about 15 percent of the visitors to the Truman Library and Museum. The study also assumed that 5 percent of the visitors would be senior citizens, which could be low. Senior citizens make up more than 25 percent of visitors to the Truman Library and Museum. If school groups and senior citizens make up one-quarter of visitors rather than the assumed 13 percent, admission revenues would be reduced by more than 5 percent.

Shortfall could be substantial. Changes to any one of these assumptions could result in an operating deficit. The cumulative effect is substantial. We re-estimated revenues and expenditures over the first ten years of operation assuming that: annual attendance is 135,000; fees are \$5.00 for adults, \$2.00 for children, \$3.00 for senior citizens, and \$1.00 per child in school groups; visitors are 56 percent adult, 19 percent children, 15 percent school groups and 10 percent senior citizens; admission fees are not adjusted over the ten year period; and repairs and maintenance are \$1.2 million per year, consistent with BOMA and APWA standards. Based on these assumptions, which we think are reasonable, the memorial would require about an \$18 million subsidy over the first ten years of operation. The deputy director of Parks and Recreation told us that the interest from a planned \$15 million endowment could be used for capital maintenance. However, the documents we reviewed did not discuss how the endowment would be used.

Assumptions regarding wage and benefits and the ratio of museum shop revenue to cost of goods sold appear reasonable.

¹ Calculated from the Liberty Memorial phone survey data tabulations appended to the feasibility study. The number of households surveyed was 426. The study does not describe how the sample was selected, nor does it compute sampling error. Consequently, we cannot assess whether the results are generalizable.

² Admission is free but fees may be charged for different programs.

³ Applies to children ages 6 to 18. Children under age 6 are admitted free of charge.

⁴ The fee is \$2.00 for adult students with ID.

⁵ Applies to children ages 6 to 18. Children under age 6 are admitted free of charge.

⁶ There is no admission fee for school groups if the tour is scheduled in advance.

Fundraising campaign plan appears comprehensive, commitments are lacking. We reviewed the *Capital Campaign Plan For the Restoration & Expansion of Liberty Memorial*, prepared jointly by a consultant and the Parks and Recreation Department's Liberty Memorial fundraising coordinator. The plan appears to identify a broad range of potential contributors at the local, regional and national levels. However, the plan does not identify how contribution goals were established or whether any commitments for funding have been received. According to the fundraising coordinator, the consultants have interviewed representatives from target organizations to ensure that the contribution goals are reasonable. According to the Parks and Recreation Department, \$7,252,389 has been committed to date, representing 24 percent of the \$30 million goal for philanthropic gifts and grants. This figure includes \$5 million from the state of Missouri that has been approved by the legislature. A professor at UMKC who is knowledgeable about fundraising told us that it would not be unusual to have 60 to 80 percent of funding at least tentatively committed at the beginning of a capital campaign.

We asked staff whether the Liberty Memorial has an established customer or patron base. They told us that there are guest books identifying visitors. However, the guest books do not provide addresses, so Parks and Recreation staff has been unable to contact visitors to request support. Staff also recognizes military and veterans groups as patrons, but has not yet received commitments for contributions from these groups.

In MRI's telephone survey of 426 households, 31.2 percent of respondents said that they had visited the Liberty Memorial within the last five years, 11.5 percent of respondents said that they had visited the Liberty Memorial Museum within the last five years, and 66.9 percent said that they would visit the Liberty Memorial Museum if it were renovated and expanded to include new interactive battlefield exhibits and well-designed educational exhibits of World War I objects. The report did not describe sampling methodology or sampling error.

Poll of registered voters may mis-state public support for a sales tax. Nearly half of the 1,016 people surveyed in February and March 1998 about support for restoration and expansion of Liberty Memorial and methods of funding were age 65 or older. The survey of registered voters also excluded Platte County residents. The report did not describe sampling methodology or sampling error.

Attachment

cc: Mayor Emanuel Cleaver II
Members of the City Council
Robert L. Collins, City Manager
Terry Dopson, Director of Parks and Recreation



Office of the City Council

RECEIVED
APR 17 1998
CITY AUDITOR'S
OFFICE

DATE: April 15, 1998
TO: Mark Funkhouser, City Auditor
FROM: Evert Asjes III, City Councilman, Fourth District-at-Large
SUBJECT: Liberty Memorial Rehabilitation Proposal

I would like for you to investigate the following concerns related to the Parks Department's proposal to rehabilitate Liberty Memorial:

1. What are the potential funding sources for this project (local, regional, and national), and has the Parks Department explored these adequately?
2. Is there a recognizable, established customer or patron base, how large is this patron base, and will they participate in the funding of the project?
3. Are there adequate provisions in the plan for addressing operating costs (staff and maintenance) or will the Parks Department depend upon general funds for these service needs in the future?

I also plan to ask Janice Reed, Director of Finance, to review the project's financial projections. Perhaps we should all get together, with the Finance Committee, to discuss your findings, along with Janice, and come to some determination regarding this matter.

Thanks very much, Mark.

EA:sk

cc: Mayor Emanuel Cleaver II
Councilwoman Judy Swope, Chair, Finance Committee
Councilman George D. Blackwood, Jr.
Councilman Kelvin Simmons
Janice Reed, Director of Finance